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FM AMEMBASSY QUITO  
TO RUEHC/SECSTATE WASHDC IMMEDIATE 8576  
INFO RUEHBO/AMEMBASSY BOGOTA PRIORITY 7392  
RUEHCV/AMEMBASSY CARACAS PRIORITY 2921  
RUEHLP/AMEMBASSY LA PAZ MAR 0948  
RUEHPE/AMEMBASSY LIMA PRIORITY 2440  
RUEHGL/AMCONSUL GUAYAQUIL PRIORITY 3360  
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY

UNCLAS QUITO 000212

SIPDIS

SENSITIVE  
SIPDIS

TREASURY FOR MMALLOY AND MEWENS

E.O. 12958: N/A

TAGS: [SNAR](#) [ECON](#) [EFIN](#) [KTFN](#) [EC](#)

SUBJECT: ECUADOR PROSECUTES LANDMARK MONEY LAUNDERING CASE

¶1. (SBU) Summary: On February 18, Ecuador convicted seven associates of Hernan Prada-Cortez, a drug trafficker involved in money laundering. The convictions are the result of an Ecuadorian national police investigation, in concert with DEA, which yielded ten arrests and the seizure of assets in excess of \$6.5 million in ¶2006. The sentences are the first under Ecuador's money laundering legislation. End summary.

¶2. (SBU) In October 2005, Hernan Prada was arrested in Bogota, Colombia on a provisional arrest warrant and was extradited to Miami, where he is currently scheduled to go to trial in May 2008. Since 1986 Prada has been suspected of being involved in trafficking multi-ton cocaine shipments and accumulating and transporting large amounts of drug proceeds. He was the subject of an FBI investigation in 1989, and a federal arrest warrant was issued for him based on dangerous drug offenses. He subsequently fled to Colombia.

¶3. (SBU) A U.S. citizen, Prada requested and received Ecuadorian citizenship in an effort to protect his suspected drug proceeds. In September 2005, the Quito DEA office, in coordination with the Ecuadorian National Police's vetted Sensitive Investigation Unit (SIU), initiated an investigation of his money-laundering activities in Ecuador. They eventually found that Prada, his family members, and associates had been investing and dispersing an estimated \$50 million in suspected drug proceeds through numerous front companies in Ecuador since 2001.

PROSECUTING PRADA'S RING

¶4. (SBU) On August 25, 2006, after nearly a year of investigation, the Ecuadorian National Police initiated and executed over 300 seizure and arrest warrants in Quito, Manta, and Guayaquil. The Ecuador SIU located and arrested ten of the defendants. All were personally involved in either the ownership or management of fictitious and/or front businesses, or the actual transfer of drug proceeds totaling well over \$6 million. One hundred thirty-five properties (including penthouses, hotels, commercial lots, and one farm) valued at \$6.4 million were seized, along with seven vehicles, jewelry, paintings, firearms, computers, and numerous financial documents. These were the first arrests and prosecutions based on the then recently established Ecuadorian Anti-Money-Laundering legislation.

¶5. (SBU) On February 18, 2008, the Second Superior Court of Quito convicted and sentenced seven of those arrested (4-8 year prison terms, plus \$5000 fine each). The court ordered the forfeiture of all seized properties to the state, and the closing of six businesses. The defendants are currently appealing their convictions.

¶6. (SBU) Comment: The Prada case is a significant victory for the Ecuadorian legal system that has demonstrated that it can bring a conviction under the money laundering law, drafted with technical assistance from the USG. Our extensive, productive cooperation with the Ecuadorian police contributed directly to this success. End comment.